

Message Text

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ACTION AF-08

INFO OCT-01 EUR-12 ISO-00 AID-05 TRSE-00 EB-07 CIAE-00

INR-07 NSAE-00 PA-01 PRS-01 USIA-06 OMB-01 FRB-03

CIEP-01 CEA-01 /054 W

----- 039682

R 161640Z JUL 76

FM AMEMBASSY FREETOWN

TO SECSTATE WASHDC 3522

INFO AMEMBASSY MONROVIA

AMEMBASSY LONDON

AMEMBASSY THE HAGUE

C O N F I D E N T I A L FREETOWN 2197

LONDON FOR SEITZ

MONROVIA FOR USAID

E.O. 11652: GDS

TAGS: EFIN, EAID, BGENAK SL

SUBJ: SIERRA LEONE SEEKS IMF STAND-BY

1. IN WAKE OF MAY DISCUSSIONS IN WASHINGTON BETWEEN PRESIDENT STEVENS AND IMF'S WITEVEEN, PROGRESS SEEMS TO HAVE BEEN MADE ALONG LINES OF IMF ASSISTANCE TO CORRECT CURRENT GOSL FINANCIAL DIFFICULTIES. IMF TEAM SPENT WEEK IN SIERRA LEONE IN MID-JUNE TO HELP GOSL OFFICIALS PREPARE RECENTLY ANNOUNCED 76/77 BUDGET. IMF OFFICIALS OBVIOUSLY SATISFIED WITH SINCERITY OF GOSL INTENTIONS TO CORRECT PREVIOUS FISCAL MISMANAGEMENT, BECAUSE ANOTHER IMF TEAM IS SCHEDULED TO ARRIVE FREETOWN EARLY AUGUST. THIS TEAM LIKELY TO STAY A COUPLE OF WEEKS TO NEGOTIATE WITH GOSL TERMS BY WHICH IMF WOULD PROVIDE 11 MILLION LEONES THROUGH STANDBY AGREEMENT.

2. GOVERNOR OF CENTRAL BANK SAM BANGURA HAS SAID THAT STRATEGY IS FOR OFFICIAL TEAM REPORT TO BE CONCLUDED PRIOR TO MANILA IBRD/IMF MEETING SO THAT GOSL DELEGATION CAN LOBBY IN SUPPORT
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OF ITS REQUEST IN THE CORRIDORS. GOSL HOPES POSITIVE IMF DECISION CAN BE MADE SOON AFTER MANILA MEETING. PROVISION HAS

BEEN MADE IN NEW BUDGET FOR STANDBY AND FOR SUBSTANTIAL DEBT RELIEF THAT GOSL HOPES TO OBTAIN AS RESULT OF MULTI-LATERAL RESCHEDULING EXERCISE THAT WILL BE PURSUED CONCURRENTLY THROUGH PARIS CLUB AND WHICH GOSL HOPES TO HAVE CONCLUDED BEFORE END OF DECEMBER (SEE SEPTTEL).

3. BANGURA, A MAJOR AND OUT-SPOKEN CRITIC OF PREVIOUS GOSL FINANCIAL MISMANAGEMENT, FEELS THAT GOSL MAY NOW AT LAST HAVE REALIZED NEED FOR FISCAL RESPONSIBILITY. HOWEVER, HE ADMITS THAT IMF CONCURS IN HIS JUDGMENT THAT IT MAY TAKE UP TO THREE YEARS FOR CURRENT BAD SITUATION TO SHOW A MARKED IMPROVEMENT, ALTHOUGH HE POINTS TO FACT THAT GOSL RESERVES HAVE RISEN OVER RECENT MONTHS TO LEVEL OF 33 MILLION LEONES AS OF MAY 31.

4. MAJOR ASPECT OF IMF RESTRICTIONS WILL BE RELATED TO SUPPLIER CREDITS, SO OFTEN RESORTED TO HERE. MAJOR PROBLEM MAY EXIST IN THIS RESPECT PRESIDENT STEVENS APPEARS ANXIOUS FOR GOSL TO PURCHASE A SMALL PASSENGER JET, VFW-614, FOR USE BOTH INTERNALLY AND ON THE WEST AFRICAN RUN. SOME ESTIMATE COSTS TO BE 6 MILLION DOLLARS, AND NO RESPONSIBLE ANALYST BELIEVES THE PURCHASE IS ECONOMICALLY JUSTIFIED. SHOULD IMF LEARN OF THIS THEY COULD REFUSE EVEN TO SEND THE NEGOTIATING TEAM IN AUGUST. IT IS UNCLEAR WHETHER FINAL AGREEMENT FOR PLANE HAS BEEN SIGNED, AS SOME HAVE RECOMMENDED THAT IMF PRIOR CONCURRENCE BE SOUGHT, IN THE HOPE THAT IMF WILL PREVENT GOSL FROM MAKING PURCHASE. IF THIS HAPPENS, HOWEVER, THERE MAY BE FRICTION SINCE PRESIDENT STEVENS HIMSELF IS EXTREMELY STRONG ADVOCATE FOR PURCHASE OF PLANE.
SAMUELS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCE, PROFESSIONAL PERSONNEL, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976FREETO02197
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760275-0985
From: FREETOWN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760752/aaaabsvp.tel
Line Count: 90
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 22 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 APR 2004 by CunninFX>; APPROVED <17 AUG 2004 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SIERRA LEONE SEEKS IMF STAND-BY
TAGS: EFIN, EAID, BGEN, SL, IMF
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006